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ADMINISTRATIVE MATTERS: JOINT INSPECTION UNIT

Activities of the Joint Inspection Unit in 1991 and early 1992 of relevance to UNIDO

Note by the Secretariat

Summary

Describes briefly the activities of the Joint Inspection Unit (JIU) during 1991 and early 1992, and deals with matters of relevance to UNIDO such as grade overlaps, advantages and disadvantages of the post classification system, and the United Nations system cooperation with multilateral financial institutions.

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Introduction

1. In accordance with Industrial Development Board decision IDB.1/Dec.22, the Director-General notified the Secretary-General of the United Nations of the acceptance by UNIDO of the statute of the Joint Inspection Unit (JIU), effective 1 January 1986. Under the terms of the statute, 1/ the Unit is a subsidiary organ of the legislative bodies of the organizations that accept its statute. Reports of the Unit shall be submitted with the comments of the executive heads of the organizations concerned to the competent organs of those organizations; the executive heads of the organizations shall also ensure that recommendations of the Unit approved by their respective competent organs are implemented as expeditiously as possible. At its forty-sixth session, the General Assembly considered the report of the Joint Inspection Unit on its activities during the period 1 July 1990 to 30 June 1991. 2/ The work programmes of JIU are drawn up in accordance with article 9 of its statute and take into account requests and suggestions made by the participating organizations. The document containing the work programme for 1992 and the nucleus of the work programme for 1993-1994 3/ has been circulated to Member States and participating organizations by the Secretary-General. It will also be made available to the Board at its tenth session, as well as the relevant reports completed by the Unit in 1991 and early 1992.

I. JOINT INSPECTION UNIT REPORTS COMPLETED

2. Since the issuance of the most recent note to the Board on the subject (IDB.8/42), the following reports of the Unit have been prepared and circulated for consideration and/or action:

Report on the rotation of staff within the United Nations (JIU/REP/91/3);

1/ General Assembly resolution 31/192, annex.

2/ Official records of the General Asssembly, 46th session, supplement no. 34 (A/46/34).

3/ A/46/89.

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Follow-up report on the management advisory service of the United Nations (JIU/REP/91/4);

Grade overlap (JIU/REP/91/5);

Assessment of the annual deficits of the Administrative and Operational Services Cost Fund (AOSCF) of the technical cooperation programme of the International Civil Aviation Organization (ICAO) (JIU/REP/91/6);

Advantages and disadvantages of the post classification system (JIU/REP/91/7);

United Nations system cooperation with multilateral financial institutions (JIU/REP/92/1).

3. Of the above, three reports related to grade overlap (JIU/REP/91/5), advantages and disadvantages of the post classification system (JIU/REP/91/7) and United Nations system cooperation with multilateral financial institutions are of direct interest and relevance to UNIDO (JIU/REP/92/1, Parts I and II).

II. REPORTS SUBMITTED BY THE JOINT INSPECTION UNIT OF DIRECT INTEREST TO UNIDO

Grade overlap (JIU/REP/91/5)

4. For more than a decade there has been an overlap in the salaries between senior General Service and junior Professional staff categories in the United Nations system. Although this degree of overlap has been accepted by the agencies, the continuous expansion of the overlap to lower levels of the General Service category has caused concern in some agencies.

5. The Food and Agriculture Organization of the United Nations (FAO), which has experienced a growing overlap in the remuneration of these two categories, requested the JIU to review the reasons for the overlap in terms of emoluments and to assess its potential impact.

6. The report indicates that the cause of the overlap lies primarily in the different methodologies used to set and adjust levels of remuneration. Professional salaries are founded on the Noblemaire principle which compares the salaries of international civil servants with the most highly paid civil service of a Member State. Salaries of the General Service staff are determined on the basis of the best prevailing rates of the local area. The application of these methodologies as approved by the United Nations General Assembly has led to anomalies in the compensation packages. The report states that salaries of the General Service staff continue rightly to follow local conditions of service, which is a key to the competitiveness of the United Nations. On the other hand, salaries of Professional and higher categories of staff have not been increased at a level established by the various studies undertaken by the International Civil Service Commission. Had this been done, it would have averted the present overlap with the General Service salary scale. Moreover, apart from the influence of the different methodologies, other factors, such as the freeze on Professional salaries, inflation and the exchange rates vis-à-vis the United States dollar have had a significant impact on the widening area of overlap.

7. The report examines the evolution of the grade overlap in four duty stations: Rome, Geneva, New York and Paris. It is pointed out that the incidence of overlap does not exist in the majority of duty stations around the world where there is a substantial gap between local and professional pay scales. Based on this first study on the subject, it is concluded that the incidence of overlap is confined to headquarters duty stations. At the time of the study, the overlap in Vienna was G-8/XI (G-7/XI of the new grade structure) with P-3/IV.

8. According to the report, the evolution of the grade overlap seems to have created some personnel management problems in the areas of recruitment, promotion and career development and has the potential of provoking a dangerous distortion in the United Nations salary system. Potential Professional recruits may be reluctant to accept the logic that they will receive less than those whom they may be expected to direct; in the area of promotion and career development, some senior General Service staff members have expressed a reluctance to compete for promotion to the Professional category. Other concerns relate to adverse effects on staff morale and the effect the grade overlap has on pensions when a General Service staff member joins the Professional category.

9. While considering that such levels of overlap are incompatible with sound management principles and make it impossible to pursue a realistic career development path from General Service to Professional category, the report concludes that the concern for the problem could diminish. The reason given for this is the recent recognition by the United States Pay Agent that the salaries of the United States Civil Service, the comparator under the Noblemaire principle, are some 28 per cent behind the private sector and that steps (admittedly tiny) are to be taken by the Executive Board of the United States Government to rectify this situation over time (10 years).

10. The report looks into the possibility of a one-grade structure as a possible solution to salary overlap. It concludes however, that the introduction of a one-grade structure might not be a solution to the problem as it would mean that the Noblemaire principle cannot be maintained without provoking a serious negative distortion of General Service salaries, especially at the main headquarters duty stations, because salaries for General Service staff would no longer be based on the best prevailing rates of the local areas but rather on the comparator State. Any action to change the two-grade structure, if decided to be necessary, would thus require well founded research and a new formula that could be applied fairly to the whole system world wide.

11. The JIU did not make any recommendations on the subject but welcomed the decision of the General Assembly of the United Nations (resolution 45/241, section XIV, of 21 December 1990) requesting the International Civil Service Commission to consider the relativities between the terms and conditions of staff in the Professional and higher categories and those in other categories.

12. The full text of the JIU conclusions on grade overlap are contained in chapter IV of the JIU report, while the comments of the Secretary-General are contained in a note to be

submitted to the General Assembly at its forty-seventh session (A/47/140/Add.1).

Advantages and disadvantages of the post classification system (JIU/REP/91/7)

13. The JIU study on the advantages and disadvantages of the post classification system was undertaken at the request of the United Nations Educational, Scientific and Cultural Organization (UNESCO). JIU was requested to analyse the results of the application of the system in the United Nations common system and to seek ways of improving it and making it somewhat more flexible while maintaining the integrity of the objectives of the concept of post classification. The post classification system was established in response to a need felt by the organizations of the United Nations common system to introduce new techniques of personnel management. Advanced technologies and the responsibility of the organizations to have a staff of diverse competences and experiences were the main criteria in choosing the post classification concept as a valuable tool ensuring "equal pay for equal work" to everyone.

14. One of the recommendations points to ways in which post classification can be implemented by highly trained specialists under the umbrella of strengthened personnel services. In the case of UNIDO, classification services are performed in the Office of the Deputy Director-General, Department of Administration. Also of relevance to UNIDO is the recommendation concerning implementation of the classification results. In the case of UNIDO, there is a discrepancy between the actual classification of the level of a post and the level of a post approved in the biennial programme and budgets. Regarding the recommendation relating to appeals mechanisms, these are well-established in UNIDO.

15. Other recommendations relate to: the organization of training courses for classifiers and programme managers; the introduction of automated processes for classification; the need to make classification sufficiently clear to the staff in order to achieve broad-based acceptance; the questions of reclassification of posts; the diminishing use of the P-1 and P-2 levels and the possibility of reviving those levels through the scaling down and underfilling of posts in order to attract qualified junior staff; as well as the possibility of introducing some kind of flexibility in the implementation of the classification system, for instance through personal promotion or by linking grades. The full text of the JIU recommendations is contained in chapter V of the report.

16. Thirteen organizations of the common system, including UNIDO, participated in the study. Administrations as well as staff representatives in a number of the organizations were consulted. In addition, the Consultative Committee on Administrative Questions and the International Civil Service Commission were consulted on several occasions. Following a description and analysis of the application of the system by the organizations, the Inspector concludes that, notwithstanding some problems and the fact that disadvantages seem to be more often discussed than advantages, the system is a sound and useful management tool. In that connection, a number of recommendations are put forward for overcoming some of the disadvantages and at the same time enhancing the advantages that the post classification concept provides to the organizations.

United Nations system cooperation with multilateral financial institutions (JIU/REP/92/1, Parts I and II)

17. The objective of the JIU study was to examine the cooperative activities of United Nations system agencies with the multilateral financial institutions, which would permit both groups to provide the best possible services and programmes to developing countries. In conducting their research, the Inspectors sought to determine which agencies were cooperating with each other in operational activities for development and the reasons for that cooperation. They also sought to identify joint policy, project, and programme activities, as well as the scope, trends, constraints, and possibilities for increasing such efforts in the future. Most importantly they focused on the significant steps needed to improve operational cooperation between the two groups of organizations.

18. The Inspectors paid several visits to the World Bank, as well as to the African, Asian, and Inter-American Development Banks. They visited many of the United Nations system agencies, primarily at their headquarters but at the regional and country levels as well. They also asked all those agencies about their cooperation with other multilateral financial institutions. They then visited the Commission of the European Communities since a number of organizations have been increasing their operational activities with that body, although it is, of course, not strictly a financial institution. In the course of their work, the Inspectors gathered and reviewed some 300 policy, programme and project reports and analyses of changing patterns of development cooperation, and conducted more than 100 interviews.

19. In the course of those interviews and reviews the Inspectors found no instance of effective cooperation and coordination occurring spontaneously for their own sakes, resulting from admonitory resolutions of the competent international bodies, proceeding from high-level executive accords, nor resulting from regularly scheduled meetings of headquarters representatives. 4/

20. That notwithstanding, the Inspectors found that better cooperation can only be built on results. Whatever the role may be of coordination mechanisms, liaison efforts and policy statements, the ultimate proof lies in innovative and effective performance. The second volume of the report thus presents 22 examples (including UNIDO) of recent programme initiatives, operational reviews, and investment and project preparation activities in United Nations system organizations that could serve as examples for other organizations.

21. In their endeavour to identify possibilities for improving cooperative relationships between the organizations in the common system and multilateral financial institutions, the

4/ JIU/REP/92/1, Part 1, Executive summary.

Inspectors focused on the elements of mutually perceived advantage. They found that over the past decade the provision of technical cooperation expertise had become an area of intense competition. They thus sought to define those characteristics of competitiveness which United Nations system agencies had employed successfully in practice, which they then presented as 10 factors helpful to developing successful cooperative relationships in operational activities for development. These are:

> Performance, niche, value-added requirement, pragmatic relationships, strategic approach, market-oriented outlook, organizational flexibility, factual self-promotion, competitiveness and quality control. 5/

22. As the Inspectors pointed out, attention to the above factors was not a sure guarantee of success, although it would greatly enhance the prospects of successful cooperation. They thus urged agencies to develop the ability to: (i) identify areas in which they have, or can acquire, a comparative advantage; and (ii) expand that niche by adjusting to market demands, delivering timely and reliable service, offering value-added component and adopting procedures to fit the requirements of the financing institutions.

23. Of particular relevance to UNIDO is the second of the two recommendations on cooperation with multilateral financial institutions in which the Inspectors recommend that executive heads and governing bodies sustain "a competitive posture" by including as many as possible of the following topics in their periodic deliberations on technical cooperation activities, concentrating on results achieved, lessons learned, changing circumstances, emerging trends, and proposals for future strategies and initiatives: significant cooperative actions with multilateral financial or other development institutions; organizational reviews to consider operational improvements; improved or new developmental strategies; new techniques or technologies being successfully applied to enhance development; possibilities to help the Organization to strengthen its operational activities; and most difficult but perhaps most important of all, tightening the focus of the overall programme by identifying and further developing successful services and activities (i.e. what the Organization "does best"), while also eliminating those that are obsolete, irrelevant or unsuccessful.

24. The 10 factors identified by the Inspectors hold true for other activities of UNIDO as well. Attention of senior management has been drawn to them. In the preparation of the programme and budget proposals for the 1994-1995 biennium, the need for creative and sustained activities in an increasingly competitive environment was underscored, as was the essentiality of focusing on those outputs and activities that the Organization does best. Similarly, the different proposals for restructuring UNIDO over the past 18 months have been governed by the desire to rise to the challenge posed by the sweeping changes in the external environment. It will be recalled that the thrust of the new structure proposed for UNIDO was directed towards ensuring a sharper country focus, concentrating technical expertise in operationally autonomous units, enhancing the quality of outputs and ensuring closer integration of services through greater teamwork.

25. The JIU report is not alone in drawing attention to the growing external pressures that cannot be met by what the Inspectors term "usual abstract and generalized liaison contacts, official missions, cooperative agreements, data exchanges and seminars." As the Inspectors note, both the Nordic-United Nations project report: The United Nations in development: Reform issues in the economic and social fields: a Nordic perspective (Stockholm, 1991) and a report prepared for the Danish Government on effectiveness of multilateral agencies at country level (Copenhagen, 1991) have likewise drawn conclusions of particular significance to the work of the United Nations system. The current marginalization of the system agencies can best be countered by improving operational performance, revitalizing the agencies' advisory and analytical roles and providing effective alternatives and complements to the programmes of the multilateral financial institutions. Despite the difficulties inherent in focusing on areas of comparative advantage and sustaining the related institution building, the Inspectors note that agencies might take heart at the success which five agencies (including UNIDO) have already had in carrying out in-depth operational reviews.

III. ACTION REQUIRED OF THE BOARD

26. The Board may wish to take note of the JIU reports and the comments made by UNIDO thereon.

5/ Ibid.